

ON-FILE NSC RELEASE INSTRUCTIONS APPLY

Senior Inter-Agency Group Meeting

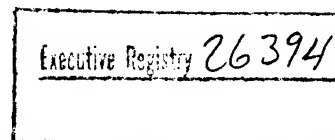
November 5, 1985

NICARAGUAN HUMANITARIAN ASSISTANCE

AGENDA

- I. Review of developments
- II. Report on RIG Activities (Abrams)
- III. Report on NHAO Activities (Duemling)
- IV. Discussion of Congressional Report

SECRET



NICARAGUAN HUMANITARIAN ASSISTANCE OFFICE

On August 29, 1985, President Reagan signed Executive Order 12530 creating the Nicaraguan Humanitarian Assistance Office (NHAO) for the purpose of disbursing \$27 million in humanitarian aid to the Nicaraguan democratic resistance. On September 9, the President designated Ambassador Robert W. Duemling as Director of NHAO.

The NHAO staff consists of the Director, five supervisory and two clerical personnel, all detailed on a non-reimbursable basis from federal agencies (State, AID and USIA), with the exception of the Director, whose salary is reimbursed to State from the humanitarian assistance program funds. Office space in a government-leased building is charged to program funds, but furnishings and equipment have been borrowed at no charge. Administrative support, including legal advice from the Office of the Legal Adviser, is provided by the Department of State.

The Executive Order assigned responsibility for policy guidance to the Secretary of State and his designees. The Secretary has established a Senior Inter-Agency Group, chaired by the Under Secretary for Political Affairs, to establish basic policy and exercise oversight of NHAO activities; policy guidance for day-to-day NHAO operations is provided by the Assistant Secretary of State for Inter-American Affairs, who chairs an inter-agency group that assures effective coordination.

As a matter of policy, the United Nicaraguan Opposition (UNO) was designated to be the initial recipient for humanitarian assistance distributed by NHAO. UNO is an umbrella organization which brings together the largest number of anti-Sandinista political and paramilitary elements. It is led by Adolfo Calero, Arturo Cruz and Alfonso Robelo; its principal components include the Nicaraguan Democratic Force (UNO/FDN), the Armed Forces for Revolution in Nicaragua (UNO/FARN), and a coalition of Atlantic Coast Indians and Creoles (UNO/KISAN). Using UNO as a conduit for assistance serves the policy objective of encouraging cohesion within the democratic resistance; it also simplifies administrative procedures and restrains administrative costs.

METHOD FOR FUNDING

NHAO is disbursing funds for four basic categories of goods and services: food, clothing, medicine and medical care, and equipment. NHAO also provides funds for transporting supplies to Central America.

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Funds for these goods and services are being provided to UNO through a series of grants, each of which obligates a fixed amount of humanitarian assistance funds for the use of UNO, subject to certain terms and conditions. While the grant gives UNO a conditional legal entitlement to the funds, NHAO retains actual possession of the funds and administers their disbursement. To date, three major grants totaling \$5.5 million and a smaller grant of \$25,000 have been issued. Once a grant has been issued, UNO identifies the goods or services it needs and a suitable vendor, and negotiates the terms of a proposed sale to UNO. These terms are set forth on a pro forma invoice which UNO submits to NHAO. The pro forma invoice is reviewed by NHAO to ensure that the goods or services are humanitarian assistance within the meaning of the law, and that the payment requested is appropriate for value received. NHAO also monitors the quantity of items, to assure against an oversupply so substantial as to suggest a possible risk of diversion. If the proposed purchase is approved, NHAO authorizes UNO to make the purchase. NHAO signals its approval to the vendor through issuance of a letter of commitment. After shipment or delivery has been verified, NHAO pays the vendor directly from UNO grant funds.

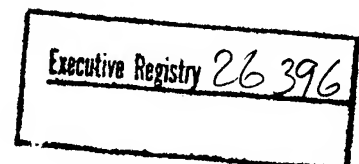
Monitoring and verification of procurement and delivery take several forms, depending on location. Within the United States, NHAO representatives are able to make on-site inspections of supplies as they are aggregated for shipment to the field. To monitor supplies and services contracted and delivered abroad, NHAO relies on reports from all available sources to confirm that actual transactions conform to the relevant documentation.

DELIVERY INCIDENT

On October 10, an UNO charter flight paid for by NHAO and carrying supplies purchased under NHAO auspices landed apparently without permission in Tegucigalpa, causing the Honduran Government to take custody of the cargo. Discussions between the American Embassy and the Honduran Government resulted in the cargo being released and returned to the United States.

SUMMARY OF PAYMENTS

Attached in tabular form is a summary of NHAO disbursements and commitments to pay, through October 31, 1985.



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1. NHAO Grants to UNO (to be disbursed through letters of commitment)

Grant 601 - \$1,000,000 (Issued October 3, 1986)

Grant 602 - \$1,500,000 (Issued October 15, 1986)

Grant 603 - \$3,000,000 (Issued October 29, 1986)Total - \$5,500,000

In addition to the above three grants for food, clothing and medical supplies, NHAO issued a small fourth grant signed October 17, 1986 for \$25,000 (Grant 641-001) to fund an UNO office in Washington, D.C. The grant stipulates that the activities of that office must be strictly limited to the provision of liaison services between UNO and NHAO to facilitate the operation of the program. This liaison office grant differs from the other three in that it permits UNO to receive a small advance payment of cash to cover administrative expenditures, which expenditures must be documented and justified before further cash advances are made.

2. UNO EXPENDITURES FROM GRANTS THROUGH 10/31/85

Total Humanitarian Assistance.....\$4,660,928

Food	\$1,257,189
Clothing	\$2,070,807
Medical	\$553,421
Equipment	\$639,561
Transport	\$139,950

Total UNO Liaison Office Expenses.....\$7,500

NHAO EXPENDITURES THROUGH 10/31/85

Total Administrative Expenses.....\$23,640

Direct Personnel Costs	\$13,374
Travel	\$4,800
Office Rent	\$3,666
Telephone toll calls	\$1,200
Miscellaneous	\$600

GRAND TOTAL.....\$4,692,068

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ITEMIZED PROGRAM COMMITMENTS THROUGH 10/31/85

<u>Grant-Letter of Commitment No.</u>	<u>Item, Quantity</u>	<u>Value</u>
<u>I. Food and consumables</u>		
602-001	various foodstuffs	\$196,875
602-008	various foodstuffs	\$214,982
603-007	various foodstuffs	\$827,872
603-008	various foodstuffs	\$17,460
	<u>Category Subtotal:</u>	<u>\$1,257,189</u>
<u>II. Clothing</u>		
601-001	waterproof material (21,000 yds)	\$32,970
	caps (10,000)	\$12,500
601-002	socks (2,000 doz. pr.)	\$17,000
601-003	boots (16,000 pr.)	\$496,000
	shirts and trousers (3463)	\$55,408
601-004	boots (1,000 pr.)	\$19,150
601-005	boots (1,080 pr.)	\$22,200
602-003	boots (500 pr.)	\$9,575
602-005	shirts and trousers (15,000)	\$243,750
602-006	sewing labor costs for manufacture of 6,351 shirts and trousers	\$41,282
602-009	suspenders (6,000)	\$19,500
	belts (10,000)	\$27,500
602-010	boots (10,000)	\$305,000
602-011	ponchos (20,000)	\$178,400
603-001	boots (15,000)	\$457,500

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603-002	belts (6,120)	\$18,972
	trousers (5,300)	\$5,300
	suspenders (1,077)	\$700
603-010	boots (6,800)	\$108,100
	<u>Category Subtotal:</u>	<u>\$2,070,807</u>

III. Medicine and Medical Care

601-007	medical expenses for wounded Nicaraguan	\$4,350
602-007	pharmaceuticals	\$38,540
602-010	stretchers (10)	\$220
	basket stretchers (5)	\$300
603-008	pharmaceuticals	\$10,011
603-009	pharmaceuticals and medical equipment	\$500,000
	<u>Category Subtotal:</u>	<u>\$553,421</u>

IV. Equipment

601-001	backpacks (4,000)	\$45,400
	large tents (7)	\$8,050
601-002	poncho liners (20,000)	\$230,000
601-009	mountain rescue equipment	\$970
	canteen covers (10,000)	\$17,500
	mess trays (100)	\$525
602-004	watches (1,000)	\$13,750
	cargo straps (100)	\$600
	flashlights (5,000)	\$14,905
602-009	pouches (4,000)	\$13,400
	flashlights (8,064)	\$24,192
	bags (4,000)	\$8,400
	canteen covers (6,000)	\$16,200
602-011	canteens (10,000)	\$5,800
	fabric storage tanks (13)	\$9,750

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602-013	farm tools	\$22,261
603-003	canteens (6,120)	\$3,978
603-004	web belts (500 dz)	\$6,000
603-005	spray paint (2,432 cans)	\$6,880
603-006	hammocks (20,000)	\$191,000
	<u>Category Subtotal</u>	<u>\$639,561</u>

V. Transportation

601-006	air charter service (two round trips from the US to Central America)	\$35,850
602-002	air charter service (two round trips from the US to Central America)	\$35,850
603-007	ground transportation	\$68,250
	<u>Category Subtotal:</u>	<u>\$139,950</u>

<u>GRAND TOTAL:</u>	<u>\$4,660,928</u>
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Notes

--Several letters of commitment included receipts for goods or services in more than one category. Letter of commitment numbers for such cases will appear under more than one category heading.

--601-008 was drawn up but not issued; thus it was not included above. The receipt in question will be paid through a later letter of commitment

--602-012 was not completed in time for submission with this report.

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